

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

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R 052121Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8990

UNCLAS SECTION 1 OF 2 CARACAS 5797

E. O. 11652: N/A

TAGS: EGEN, VE

SUBJ: FIFTH NATIONAL PLAN OF VENEZUELA

REF: CARACAS 5416

1. SUMMARY: ON MAY 29 THE GOVERNMENT RELEASED DETAILS OF THE FIFTH NATIONAL PLAN FOR VENEZUELAN ECONOMY PREPARED BY CORDIPLAN (NATIONAL PLANNING OFFICE). THE AVOWED PURPOSE OF THE PLAN IS TO INCREASE DOMESTIC AGGREGATE DEMAND, EXPAND INVESTMENT IN BASIC INDUSTRY AND CONSOLIDATE THE SERVICE SECTORS OF THE ECONOMY. END SUMMARY.

2. THE MAIN ASPECTS OF THE FIFTH NATIONAL PLAN ARE AS FOLLOWS:

(A) REDUCTION OF POVERTY AND A REDISTRIBUTION OF INCOME.

(B) A DYNAMIC TRANSFORMATION OF THE INDUSTRIAL SECTOR CONCENTRATING ON THE ACTIVITIES OF SMALL AND MEDIUM INDUSTRY, AND IMPROVING THE UTILIZATION OF LABOR.

(C) THE DEVELOPMENT OF THE SERVICE SECTOR AS THE BASIS FOR THE REORGANIZATION FOR THE PRODUCTION OF GOODS, NOT ONLY

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IN THOSE SERVICES DIRECTLY RELATED TO PRODUCTION, BUT ALSO

WITH THE VIEW TOWARD BETTER UTILIZATION OF HUMAN RESOURCES.

(D) THE MODERNIZATION AND IMPROVEMENT OF EFFICIENCY OF THE AGRICULTURAL SECTOR. THE AGRICULTURAL SECTOR'S SHARE OF GNP IS EXPECTED TO INCREASE FROM 6.8 PERCENT OF GDP IN 1974 TO 8 PERCENT 1979. THE IRRIGATION PROGRAM WILL ADD 200,000 HECTARES OF ARABLE LAND DURING THE FIVE YEAR PERIOD. CONSTRUCTION OF RETAINING BASINS FOR LAGOONS WILL TAKE PLACE IN THOSE STATES WHICH NORMALLY SUFFER FROM SEVERE DROUGHT. FERTILIZER PRODUCTION WILL BE SUBSIDIZED IN ORDER TO STIMULATE ITS USE AND TO MAKE IT AVAILABLE TO ALL FARMERS. A GOVERNMENT CORPORATION WILL BE FORMED FOR THE DISTRIBUTION OF LIME AT COST THROUGHOUT THE WHOLE COUNTRY. THE AGRICULTURE CREDIT FUND, AGRICULTURE AND LIVESTOCK BANK, AND THE AGRICULTURAL DEVELOPMENT BANK WILL BE CONSOLIDATED IN ORDER TO PROVIDE AGRICULTURAL CREDIT MORE EFFICIENTLY. A SYSTEMATIC PROGRAM FOR NEW ROAD CONSTRUCTION, INDISPENSABLE FOR AGRICULTURAL MODERNIZATION, WILL BE UNDERTAKEN BY THE OFFICE OF RURAL ROADS IN THE MINISTRY OF PUBLIC WORKS. THE AGRICULTURAL MARKET CORPORATION WILL BE IMPROVED TO PROVIDE FOR THE SALE OF AGRICULTURAL PRODUCTS AT EQUITABLE PRICES.

(E) ELECTRIC POWER GENERATION FROM COAL AND FROM OTHER SOURCES OF COMBUSTIBLE MATERIALS AS WELL AS FROM HYDRO-ELECTRIC SOURCES FROM VENEZUELA'S VAST RIVER SYSTEM, IN ORDER TO CONSERVE PETROLEUM FOR EXPORT AND FOR USE BY THE PETROCHEMICAL INDUSTRY. THE AVERAGE ANNUAL GROWTH OF THE ELECTRIC AND WATER SECTORS IS PROJECTED OVER THE PERIOD OF THE PLAN BY 13 PERCENT, AND ITS CONTRIBUTIONS TO THE GROSS DOMESTIC PRODUCT, 2.6 PERCENT BY 1979.

(F) METALLURGICAL MINING WILL PROVIDE THE BASIC INPUTS FOR THE DEVELOPMENT OF THE METALLURGICAL INDUSTRY. THE NATIONALIZATION OF THE IRON MINES ESTABLISHES THE CONDITIONS FOR OBTAINING THE MAXIMUM YIELD FROM THIS PRODUCT. PRODUCTION FROM THE STATES OF TACHIRA AND MERIDA WILL BE DEVELOPED IN ORDER TO MEET THE REQUIRE-

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MENTS OF THE METALLURGICAL INDUSTRIES. NON-METALLURGICAL MINING PRODUCTS WILL BE DEVELOPED IN ACCORDANCE WITH EXISTING RESERVES AND INCREASING DEMAND.

(G) THE INDUSTRIAL POLICY INCLUDES PROGRAMS RELATED TO THE METAL-MECHANICAL, PETROCHEMICAL, AND AGRICULTURAL INDUSTRIAL SECTORS. THE CAPACITY OF SIDOR, THE STATE STEEL COMPLEX, WILL BE RAISED TO 10 MILLION TONS BY 1980; THE EXISTING

ALUMINUM PLANT (ALCASA) WILL BE ENLARGED TO A CAPACITY OF 400,000 TONS; AND A NEW ALUMINUM PLANT WITH A 500,000 TON CAPACITY WILL BE BUILT. THE AUTO-MOBILE INDUSTRY IS EXPECTED TO BE RATIONALIZED, INCLUDING THE PRODUCTION OF 35,000 4 CYL. UNITS. STUDIES ARE UNDERWAY FOR THE POSSIBILITY OF ESTABLISHING SHIPYARDS ABLE TO BUILD TANKERS OF 12,000 TO 80,000 TONS, AND FOR MAINTENANCE OF SHIPS OF UP TO 80,000 TONS. PLANS FOR THE PRODUCTION OF AGRICULTURAL MACHINERY INCLUDE PROJECTS FOR MANUFACTURING TRACTORS AND DIESEL ENGINES, FOR PRODUCING 6,000 TRACTORS AND 10,000 DIESEL ENGINES ANNUALLY. THE PETROCHEMICAL PLAN INCLUDES THE ESTABLISHMENT OF PLANTS IN THOSE AREAS WITH PROVEN ASSOCIATED RAW MATERIAL RESERVES IN THE EASTERN AND WESTERN ZONES OF THE COUNTRY AND THE PARAGUANA PENINSULA. THE PETRO-CHEMICAL INDUSTRY, WHICH IS PRIMARILY ORIENTED TOWARD EXPORTATION, ALSO WOULD SERVE INTERNAL DEMAND FOR ITS PRODUCTS, ESPECIALLY FERTILIZERS.

(H) SUGAR PRODUCTION IS PROJECTED TO REACH A TOTAL OF 1.3 MILLION METRIC TONS BY 1980 WHICH WILL PROVIDE FOR INTERNAL DEMAND, IN ADDITION TO 565,500 METRIC TONS FOR EXPORT.

(I) CEMENT PRODUCTION ANNUAL CAPACITY IS EXPECTED TO REACH A TOTAL OF 210 MILLION SACKS.

(J) AGGREGATE DEMAND WOULD BE INCREASED THROUGH REDUCTION OF THE MARGINAL SECTORS OF THE POPULATION, REDISTRIBUTION OF REVENUE, GOVERNMENT PLANNED EMPLOYMENT, AND ALLOCATION OF SOCIAL WELFARE BENEFITS. IT IS INTENDED THAT THIS DEMAND WOULD BE FILLED BY DOMESTIC PRODUCTION FROM SMALL, MEDIUM AND LARGE INDUSTRIES.

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R 052121Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE 8991

UNCLAS SECTION 2 OF 2 CARACAS 5797

E.O. 11652: N/A

TAGS: EGEN, VE

SUBJ: FIFTH NATIONAL PLAN OF VENEZUELA

REF: CARACAS 5416

(K) PROMOTION OF NON-TRADITIONAL EXPORTS THROUGH THE DEVELOPMENT OF SPECIFIED PRODUCTS FOR FOREIGN MARKETS IN ACCORDANCE WITH THE PROVISIONS OF THE ANDEAN PACT.

(L) HOUSING AND INFRASTRUCTURE WILL BE ORIENTED TOWARD A BALANCED DEVELOPMENT OF RURAL AND URBAN HOUSING THROUGHOUT THE COUNTRY.

(M) EXPORTS OF EXTRACTIVE INDUSTRY TO DECREASE EXPORTS OF PETROLEUM ARE EXPECTED TO BE REDUCED 5 PERCENT ANNUALLY OVER THE PERIOD OF THE PLAN. ASSUMING AN AVERAGE PRICE PER BARREL OF \$14.00, THERE IS EXPECTED TO BE AN AVERAGE ANNUAL REDUCTION OF 5.5 PERCENT IN CRUDE PETROLEUM AND DERIVATIVE EXPORTS. IRON EXPORTS ARE EXPECTED TO DECLINE AS INTERNAL DEMAND INCREASES DUE TO IRON AND STEEL EXPANSION PROGRAMS. IT IS ESTIMATED THAT EXPORT REVENUE FROM THESE PRODUCTS WILL BE REDUCED AT AN AVERAGE ANNUAL RATE OF 4.3 PERCENT. NON-TRADITIONAL EXPORTS WHICH INCLUDE UNCLASSIFIED

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FINISHED IRON, STEEL AND PETROCHEMICAL EXPORTS ARE ESTIMATED TO GROW AT AN AVERAGE ANNUAL RATE OF 40 PERCENT DURING THE NEXT FIVE YEARS.

(N) IMPORTS ARE EXPECTED TO INCREASE AT AN ANNUAL RATE OF 13.8 PERCENT DURING THE PERIOD DUE TO THE MACHINERY AND EQUIPMENT REQUIREMENTS OF THE AGRICULTURAL AND INDUSTRIAL PLAN. DURING THE PERIOD OF THE PLAN THE TRADE BALANCE WILL DECLINE DUE TO THE DECREASE OF PETROLEUM EXPORTS

AND INCREASE OF IMPORTS.

(O) INVESTMENT FOR FIVE YEAR PERIOD IS PROJECTED TO BE BS 157 BILLION OF WHICH 60 PERCENT WOULD BE MADE BY THE PUBLIC SECTOR. 40 PERCENT OF TOTAL INVESTMENT FOR THE PERIOD (BS 61 BILLION) WOULD BE MADE IN THE AGRICULTURAL AND MANUFACTURING SECTORS. THE LATTER SECTOR IS EXPECTED TO ABSORB ABOUT BS 40 BILLION AS A RESULT OF HEAVY INVESTMENT IN STEEL, PETROCHEMICALS, AUTOMOBILES, SHIPS. THE SOCIAL SERVICES AND FINANCE SECTORS ARE EXPECTED TO ABSORB 35 PERCENT OF TOTAL INVESTMENT OR ABOUT BS 57 BILLION OVER THE PERIOD OF THE PLAN . OF THIS AMOUNT, BS 20 MILLION IS DESTINED FOR INVESTMENT IN ELECTRICITY, WATER, TRANSPORTATION AND COMMUNICATION. ON THE OTHER HAND INVESTMENT IN THE TRADITIONAL EXPORTS OF PETROLEUM AND MINING IS EXPECTED TO BE ONLY BS 6, 821 BILLION OVER THE PERIOD, MOST OF WHICH WOULD BE DEVOTED TO THE EXPLORATION AND EXPLOITATION OF CRUDE PETROLEUM.

3. COMMENT: SINCE THE GOV REVIEW PROCESS IN JUST BEGINNING, THE PLAN WILL BE SUBJECT TO CONSIDERABLE REVISION. EMBASSY'S REACTION TO OVERALL PHILOSOPHY OF PLAN IS CONTAINED IN REFTEL.
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